Exhibit K

ADVANTA

Plan Investment Supplement for the Quarter Ending March 31, 2007

This Supplement has been prepared to provide information regarding the Advanta Corp. Employee Savings Plan (the "Plan"), its available investment options and to assist you in the review of your quarterly statement. This Supplement has also been prepared to comply with the new notice provisions of the Pension Protection Act of 2006 which require the following statement of investment principles and investment restrictions from the U.S. Department of Labor.

Statement of Investment Principles

To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investments can help you achieve a favorable rate of return, while minimizing your overall risk of losing money. This is because market or other economic conditions that cause one category of assets, or one particular security, to perform very well often cause another asset category, or another particular security, to perform poorly. If you invest more than 20% of your retirement savings in any one company or industry, your savings may not be properly diversified. Although diversification is not a guarantee against loss, it is an effective strategy to help you manage investment risk.

In deciding how to invest your retirement savings, you should take into account all of your assets, including any retirement savings outside of the Plan. No single approach is right for everyone because, among other factors, individuals have different financial goals, different time horizons for meeting their goals, and different tolerances for risk.

It is also important to periodically review your investment portfolio, your investment objectives, and the investment options under the Plan to help ensure that your retirement savings will meet your retirement goals.

The Department of Labor has information regarding individual investing and diversification on its website at www.dol.gov/ebsa/investing.html.

Plan Imposed Investment Restrictions

The Plan generally imposes no restrictions on your ability to change your investment elections for future contributions or to transfer all or any portion of your balance among the investment funds offered under the Plan. The Plan however, does restrict certain Insider's from trading the Advanta Corp. Stock. The Advanta Corp. Class A Fund is closed and no new investments are permitted under the Plan. The investment funds offered by the plan may impose certain trading restrictions designed to prevent excessive trading and short term investing. You should read your fund prospectuses for more information.

For complete information on the available investments, you must read the fund's prospectus. We strongly encourage you to do so before deciding to invest. The prospectuses are available on the Plan's website at *401kpal.com*. You may also contact the fund company. The fund's Ticker, website and phone number are listed below.

Your Employee Savings Plan Investment Choices

T. Rowe Price Stable Value ***(800) 922-7526*** ***www.troweprice.com***
Objective: To provide a competitive yield while maintaining principal stability

PIMCO Real Return Institutional (PRRIX) ***(800) 927-4648*** ***www.allianzinvestors.com***
Objective: Seeks real return consistent with preservation of capital.

Western Asset Mgmt Core Portfolio (WATFX) ***(888) 425-6432*** ***www.westernasset.com***
Objective: To maximize total return, consistent with prudent investment management and liquidity needs, by investing to obtain the average duration specified for the Portfolio

Dodge & Cox Balanced Fund (DODBX) ***(800) 621-3979*** ***www.dodgeandcox.com***
Objective: To provide regular income, conservation of principal and an opportunity for long-term growth of principal and income

Vanguard Institutional Index (VINIX) ***(800) 523-1188*** ***www.vanguard.com***
Objective: Seeks to track the performance of a benchmark that measures the investment return of large cap stocks

Dodge & Cox Stock (DODGX) ***(800) 621-3979*** ***www.dodgeandcox.com***
Objective: To provide an opportunity for long-term growth of principal and income; to achieve a reasonable current income

Vanguard International Growth (VWILX) ***(800) 523-1188*** ***www.vanguard.com***
Objective: To provide shareholders with an opportunity for long-term capital growth

JP Morgan Mid Cap Value Class A (JAMCX) ***(800) 348-4782*** ***www.jpmorgan.com***
Objective: Seeks long term capital appreciation from mid capitalization stocks.

Goldman Sachs Growth Opportunity Class A (GGOAX) ***(800) 526-7384*** ***www.gs.com***
Objective: Seeks long-term growth of capital.

American Beacon Small Cap Value Plan (AVPAX)(800) 388-3344 ***www.aafunds.com***
Objective: Seeks long-term capital appreciation and current income using a multi-manager approach that provides exposure to a broad universe of small cap value stocks.

Managers Special Equity Class I (MSEIX) ***(800) 252-0682*** ***www.managersinvest.com***
Objective: Seeks capital appreciation.

American Funds Growth Fund R5 (RGAFX)(800) 421-0180 ***www.americanfunds.com***
Objective: Seeks to provide long-term growth of capital through a diversified portfolio of common stocks.

Advanta Common Stock Class B (ADVNB) (215) 444-5335 ***www.Advanta.com***
The fund invests exclusively in Advanta Corporation Class B Common Stock.

ADVANTA

Employee Savings Plan

Performance of Investment Fund Choices

Compared Against Relative Indices for Periods Ending March 31, 2006

Investment Fund/*Relative Index*	*3 month Return*	*One Year Return*	*Three Year Annualized*	*Five Year Annualized*	*Ten Year Annualized*
T. Rowe Price Stable Value	1.04%	4.22%	4.22%	4.74%	5.46%
Lehman Brothers 1-3 Year Govt. Sec.	0.42%	2.41%	1.52%	3.35%	4.89%
PIMCO Real Return Inst	(2.06%)	0.81%	5.24%	7.56%	NA
Lehman Brothers Long Govt/Credit	(3.39%)	1.73%	4.64%	7.00%	7.75%
Western Assett Core Bond Inst	(0.39%)	2.46%	3.88%	5.75%	6.81%
Lehman Brothers Aggregate Bond	(0.65%)	2.26%	2.92%	5.11%	6.29%
Dodge & Cox Balanced	3.54%	10.47%	17.00%	10.27%	11.93%
Lehman Brothers Aggregate Bond	(0.65%)	2.26%	2.92%	5.11%	6.29%
Vanguard Institutional Index	4.22%	11.72%	17.21%	3.98%	9.01%
S&P 500	4.21%	11.72%	17.21%	3.97%	8.95%
Dodge & Cox Stock	5.30%	15.02%	24.24%	11.97%	14.48%
S&P 500	4.21%	11.72%	17.21%	3.97%	8.95%
Vanguard International Growth Admiral	9.95%	27.27%	30.03%	9.06%	7.59%
MSCI World ex US Ndtr_D	9.33%	25.06%	31.45%	10.09%	6.86%
JP Morgan Mid Cap Value Class A	6.36%	14.04%	22.43%	15.50%	NA
Russell Midcap Value	7.61%	22.68%	25.75%	8.99%	9.39%
Goldman Sachs Growth Opp Class A	6.54%	16.15%	21.15%	7.17%	NA
Russell Midcap Growth	7.61%	22.68%	25.75%	8.99%	9.39%
American Beacon Small Cap Value Plan	8.89%	17.73%	31.30%	19.47%	NA
Russell 2000 Value	13.51%	23.77%	30.75%	16.24%	14.03%
Managers Special Equity I	10.32%	19.17%	26.38%	9.40%	11.45%
Russell 2000 Growth	14.36%	27.84%	28.14%	8.59%	5.51%
American Funds Growth R5	4.44%	21.75%	22.40%	7.39%	13.57%
Russell 1000 Growth	3.09%	13.14%	14.80%	1.66%	6.50%
Advanta Common Stock Class A	13.52%	66.08%	73.54%	19.01%	NA
Advanta Common Stock Class B	14.08%	62.67%	72.42%	24.79%	NA

These investment fund performance results represent total returns including the reinvestment of any dividends and capital gain distributions, and are net of operating fees and expenses. Your actual investment results may differ from the reported fund performance figures due to the timing of the cash flows within the Plan.

The market indices shown below each fund's performance represent unmanaged or average returns on various financial assets and may be compared to the Plan's funds for the purpose of measuring relative performance. The indices do not reflect fees or expenses. Remember past investment performance does not guarantee future results. Investment returns and principal can fluctuate. The prospectuses for the funds contain more complete information, including fees, expenses, and risks. You should carefully read the prospectus before investing.

Exhibit L

ADVANTA

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Lehman Brothers 1-3 Year Govt. Sec.	2.97%	8.76%	5.41%	3.65%	4.99%
PIMCO Real Return Inst	5.54%	14.85%	6.73%	7.05%	8.64%
Lehman Brothers Long Govt/Credit	0.78%	6.38%	5.13%	5.53%	6.88%
Western Assett Core Bond Inst	(2.13%)	(1.88%)	2.85%	3.55%	5.64%
Lehman Brothers Aggregate Bond	6.63%	15.25%	6.68%	7.32%	6.64%
Dodge & Cox Balanced	(8.03%)	(7.92%)	4.36%	10.51%	8.25%
Lehman Brothers Aggregate Bond	6.63%	15.25%	6.68%	7.32%	6.64%
Vanguard Institutional Index	(9.45%)	(5.09%)	5.84%	11.31%	3.55%
S&P 500	(9.45%)	(5.08%)	5.85%	11.32%	3.50%
Dodge & Cox Stock	(11.93%)	(13.30%)	4.52%	13.74%	9.01%
S&P 500	(9.45%)	(5.08%)	5.85%	11.32%	3.50%
Vanguard International Growth Admiral	(9.03%)	2.71%	15.59%	21.68%	7.03%
MSCI World ex US Ndtr_D	(8.69%)	(1.29%)	13.87%	21.81%	6.53%
JP Morgan Mid Cap Value Class A	(8.49%)	(9.35%)	5.45%	13.54%	12.92%
Russell Midcap Value	(8.64%)	(14.12%)	6.57%	16.77%	8.16%
Goldman Sachs Growth Opp Class A	(8.72%)	3.31%	8.02%	14.05%	NA
Russell Midcap Growth	(10.95%)	(4.55%)	7.77%	15.20%	5.16%
American Beacon Small Cap Value Plan	(4.94%)	(14.09%)	3.16%	16.11%	NA
Russell 2000 Value	(6.53%)	(16.88%)	4.33%	15.45%	7.46%
Managers Special Equity I	(14.17%)	(17.80%)	0.99%	11.77%	4.86%
Russell 2000 Growth	(12.83%)	(8.94%)	5.74%	14.24%	1.75%
American Funds Growth R5	(7.82%)	1.08%	9.97%	14.90%	9.48%
Russell 1000 Growth	(10.18%)	(0.75%)	6.33%	9.96%	1.28%
Advanta Common Stock Class A	(15.66%)	(74.97%)	(20.68%)	9.45%	NA
Advanta Common Stock Class B	(10.25%)	(73.04%)	(18.89%)	10.95%	NA

These investment fund performance results represent total returns including the reinvestment of any dividends and capital gain distributions, and are net of operating fees and expenses. Your actual investment results may differ from the reported fund performance figures due to the timing of the cash flows within the Plan.

The market indices shown below each fund's performance represent unmanaged or average returns on various financial assets and may be compared to the Plan's funds for the purpose of measuring relative performance. The indices do not reflect fees or expenses. Remember past investment performance does not guarantee future results. Investment returns and principal can fluctuate. The prospectuses for the funds contain more complete information, including fees, expenses, and risks. You should carefully read the prospectus before investing.

Exhibit M

ADVANTA

Plan Investment Supplement for the Quarter Ending September 30, 2008

This Supplement has been prepared to provide information regarding the Advanta Corp. Employee Savings Plan (the "Plan") and its available investment options, as well as to assist you in the review of your quarterly statement. This Supplement has also been prepared to comply with the notice provisions of the Pension Protection Act of 2006 which require that the following statement of investment principles and investment restrictions from the U.S. Department of Labor be provided to you with your quarterly Plan statement.

Statement of Investment Principles

To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investments can help you achieve a favorable rate of return, while minimizing your overall risk of losing money. This is because market or other economic conditions that cause one category of assets, or one particular security, to perform very well often cause another asset category, or another particular security, to perform poorly. If you invest more than 20% of your retirement savings in any one company or industry, your savings may not be properly diversified. Although diversification is not a guarantee against loss, it is an effective strategy to help you manage investment risk.

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It is also important to periodically review your investment portfolio, your investment objectives, and the investment options under the Plan to help ensure that your retirement savings will meet your retirement goals.

The Department of Labor has information regarding individual investing and diversification on its website at www.dol.gov/ebsa/investing.html.

Plan Imposed Investment Restrictions

The Plan generally imposes no restrictions on your ability to change your investment elections for future contributions or to transfers all or any portion of your balance among the investment funds offered under the Plan. The Plan however, does restrict certain Insiders from trading the Advanta Corp. Stock. In addition, the Advanta Corp. Class A Common Stock Fund is closed and no new investments in this Fund are permitted under the Plan. The investment funds offered by

the Plan may impose certain trading restrictions designed to prevent excessive trading and short term investing.

For complete information on available Plan investments, you must read a fund's prospectus. Please note that the funds listed below are those available under the Plan as of October 1, 2008. On October 1, 2008, the Plan moved to Schwab Retirement Plan Services, Inc. ("Schwab") as its new recordkeeper and modified its fund line-up in some respects. We strongly encourage you to read each fund's prospectus before deciding to invest. You may request a fund prospectus through the Plan's website at schwabplan.com or by calling Schwab at 1-800-724-7526.

Your Employee Savings Plan Investment Choices as of 10/1/2008

Schwab Stable Value	Munder Mid Cap Core Growth A (MGOAX)
PIMCO Institutional (PTTRX)	Columbia Small Cap Value II Z (NSVAX)
PIMCO Real Return Institutional (PRRIX)	Royce Value Plus Service (RYVPX)
Dodge & Cox Stock (DODGX)	Dodge & Cox Balanced (DODBX)
Vanguard Institutional Index (VINIX)	Vanguard International Growth Adm (VWILX)
American Funds Growth Fund of America R5 (RGAFX)	Advanta Class B Common Stock (ADVNB)
Columbia Mid Cap Value Z (NAMAX)	Advanta Class A Common Stock (ADVNA)
Target Retirement Funds	
T. Rowe Price Retirement Income (TRRIX)	T. Rowe Price Retirement 2030 (TRRCX)
T. Rowe Price Retirement 2005 (TRRFX)	T. Rowe Price Retirement 2035 (TRRJX)
T. Rowe Price Retirement 2010 (TRRAX)	T. Rowe Price Retirement 2040 (TRRDX)
T. Rowe Price Retirement 2015 (TRRGX)	T. Rowe Price Retirement 2045 (TRRKX)
T. Rowe Price Retirement 2020 (TRRBX)	T. Rowe Price Retirement 2050 (TRRMX)
T. Rowe Price Retirement 2025 (TRRHX)	T. Rowe Price Retirement 2055 (TRRNX)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission File Number: 0-14120

Advanta Corp.

(Exact name of registrant as specified in its charter)

Delaware	**23-1462070**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Welsh & McKean Roads, P.O. Box 844	
Spring House, Pennsylvania	**19477**
(Address of principal executive offices)	**(Zip Code)**

(215) 657-4000 (Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report) None

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, $.01 par value per share	**The NASDAQ Stock Market LLC**
Class B Common Stock, $.01 par value per share	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:

Class A Right
Class B Right

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definition of "Large Accelerated Filer", "Accelerated Filer" and "Smaller Reporting Company" in Rule 12b-2 of the Exchange Act. (check one):

Large Accelerated Filer ☐ Accelerated Filer ☑ Non-Accelerated Filer ☐ Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of June 30, 2008, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $244,692,638 based on the closing sale price as reported on The NASDAQ Stock Market LLC.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 6, 2009
Class A Common Stock, $.01 par value per share	14,410,133 shares
Class B Common Stock, $.01 par value per share	30,898,060 shares

DOCUMENTS INCORPORATED BY REFERENCE

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CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

We have included or incorporated by reference in this Annual Report on Form 10-K statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the "Act"). In addition, other written or oral communications provided by Advanta from time to time may contain "forward-looking statements." Forward-looking statements are not historical facts but instead are based on certain assumptions by management and represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These statements include statements other than historical information or statements of current condition and among other things may relate to: anticipated earnings (loss) per share; anticipated delinquencies and charge-offs; anticipated level of receivables outstanding and credit card accounts; anticipated interest yields; expected cost of funds; projected levels of excess spread in our securitization transactions and whether an early amortization event is expected to occur; the expected level of new account acquisitions, customer spending and account attrition; anticipated payment rates of outstanding loans; anticipated operating expenses; estimated values of and anticipated cash flows from our retained interests in securitizations; industry trends; our need and ability to replace existing credit facilities and securitization financing when they expire or terminate with appropriate levels of funding; the value of the investments that we hold; income tax uncertainties; realizability of net deferred tax asset; expected levels of liquidity and capital; anticipated outcome and effects of litigation and contingencies; and other future expectations of Advanta. Forward-looking statements are often identified by words or phrases such as "is anticipated," "are expected to," "are estimated to be," "intend to," "believe," "will likely result," "projected," "may," or other similar words or phrases. The cautionary statements provided below are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the "safe harbor" provisions of the Act for any such forward-looking information.

Forward-looking statements are subject to various assumptions, risks and uncertainties which change over time, and speak only as of the date they are made. We undertake no obligation to update any forward-looking information. However, any further disclosures made on related subjects in our subsequent reports filed with the SEC, including our Reports on Forms 10-K, 10-Q and 8-K, should be consulted. We caution readers that any forward-looking statement provided by us is not a guarantee of future performance and that actual results may be materially different from those in the forward-looking information. In addition, future results could be materially different from historical performance. See "Item 1A. Risk Factors" for further discussion of important factors that could cause actual results to differ from those in the forward-looking statements.

Item 1A. *Risk Factors*

Negative trends and developments in economic conditions and the financial markets may continue to adversely impact our business, results of operations, financial condition, access to various funding sources and the trading price of our common stock. Deterioration of the U.S. economy beginning in the latter half of 2007 and the continuing negative trends in economic conditions and disruption in the capital markets have adversely affected our business. Many small business credit card issuers, including Advanta, have experienced increased delinquencies and charge-offs due to the impact of the general economic downturn on small businesses. It is more difficult to predict the credit performance of our customers and the losses inherent in our portfolio in this challenging economic environment. If the economic downturn continues, the ability and willingness of our small business customers to pay amounts owed to us could continue to be adversely affected, resulting in further increases in delinquencies and charge-offs. In addition, continued deterioration in the economy could lead to further reductions in the number of customers and the volume of transactions and have a negative impact on our business, results of operations and financial condition.

The disruption in the credit and financial markets has negatively impacted the securitization markets, the value of certain of our investments and the value of our retained interests in securitizations, which has impacted our funding decisions and our ability to realize expected levels of return on certain of our assets. Although we have high levels of capital and liquidity, if the current economic situation continues or worsens it could adversely affect our business, results of operations and financial condition.

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The NASDAQ Stock Market LLC may cease to list our Class A voting common stock and Class B non-voting common stock, which may cause the value of an investment in us to substantially decrease. We may be unable to meet the listing requirements of the Global Market of The NASDAQ Stock Market LLC ("NASDAQ") in the future. To maintain a listing on the Global Market, a listed security must maintain a daily closing bid price per share of $1.00 and the market value of publicly held shares for such security must be greater than $5 million. If the closing bid price per share of a listed security stays below $1.00 or the market value of publicly held shares stays below $5 million for 30 consecutive trading days, a company will have a certain period of time to regain compliance or the listed security will be subject to delisting. For the closing bid price requirement, a company has 180 days to regain compliance and for the minimum market value of publicly held shares requirement, a company has 90 days to regain compliance. The closing daily bid price of our Class A Common Stock has been less than $1.00 per share since January 20, 2009, and the closing daily bid price of our Class B Common Stock has been less than $1.00 per share since January 21, 2009. The market value of publicly held shares of our Class A Common Stock is currently less than $5 million.

On October 16, 2008, NASDAQ implemented a temporary suspension of the rules requiring, among other things, a minimum $1.00 closing bid price and a $5 million minimum market value of publicly held shares. On December 23, 2008, NASDAQ extended this suspension until April 20, 2009. As a result of the suspension we are not currently considered to be out of compliance with the listing requirement for either our Class A Common Stock or our Class B Common Stock. NASDAQ may further extend the suspension of the rules; if they do not, in the event the closing bid price of our Class A Common Stock and our Class B Common Stock does not increase to above $1.00 per share by June 1, 2009 (the 30th consecutive trading day after the NASDAQ suspension is lifted), one or both classes of our common stock may be delisted from NASDAQ if we are unable to regain compliance within 180 days. In addition, if the market value of the publicly held shares of our Class A Common Stock does not increase to above $5 million by June 1, 2009, our Class A Common Stock may be delisted from NASDAQ if we are unable to regain compliance within 90 days.

If one or both classes of our common stock are delisted, there may be a limited market for the shares of the delisted class of our common stock, trading in the shares of the delisted class of our common stock may become more difficult and the share price for the delisted class of our common stock could decrease even further. Any class of our common stock not listed on NASDAQ or another national securities exchange, may cause potential investors to be prohibited from or less likely to purchase such class of common stock.

We may make changes in the terms of our business credit card accounts that could negatively affect our results of operations and profitability. We have the right to change the terms of our agreements with our customers, including the finance charge rates and the other fees and charges that are applicable from time to time on the accounts, the applicable minimum monthly payment required on the accounts and various other terms. We may decide to increase or decrease finance charge rates or other fees and charges for existing accounts, or to take actions that would otherwise change the terms of the accounts, as a result of: changes in applicable law or regulations; changes in the marketplace; changes in the economic, political or regulatory environments; prudent business practice; or other reasons. Changes in the terms of our business credit card accounts may cause account attrition or changes in customer behavior, such as credit card use, payment patterns and rates of delinquencies and charge-offs, which could negatively affect our results of operations and profitability. Changes in the finance charges and the other fees and charges assessed on the accounts and changes in minimum monthly payments required may change the effective yield on the accounts and could negatively impact our results of operations and profitability.

Changes in our product offerings, including changes in product features or services, could negatively affect our ability to originate and retain customer relationships and may reduce our profitability. Pricing on our product offerings has typically included promotional pricing and rewards. Changes to our product offerings, including changes in rewards program terms, changes in or the elimination of introductory and promotional pricing levels and changes to other product features or services, may result in changes in customer behavior, such as levels of credit card use and payment patterns, that could negatively impact our profitability. In addition, changes to our product offerings, including changes in pricing, rewards or other product features or services such as those described above, may negatively affect our ability to attract and retain higher credit quality customers.

Legislative, regulatory and other legal developments may affect our business operations and ability to generate new accounts. Banking, finance and insurance businesses, in general, and banks, including industrial loan banks such as Advanta Bank Corp., are the subject of extensive regulation at the state and federal levels. Numerous legislative and regulatory proposals are advanced each year which, if adopted, could affect our profitability or the manner in which we conduct our activities.

The credit card industry is also highly regulated by federal and state laws. These laws affect how loans are made, enforced and collected. The federal and state legislatures may pass new laws, or may amend existing laws, to regulate further the credit card industry or to reduce finance charges or other fees applicable to credit card accounts. The current economic environment and its impact on the banking and financial services industries has resulted in new laws and regulatory changes and initiatives that could impact, among other things, lending and funding practices and liquidity and capital requirements or could lead to restrictions on certain business practices, methods and policies of credit card issuers. Changes in laws or regulations, as well as changes in the marketplace, economic and political environments and prudent business practices, could make it more difficult for us to market our product offerings, to enforce or change the terms of our existing business credit card accounts or to collect business credit card receivables. Any of the foregoing could decrease our income and profitability.

In recent years certain industry groups and consumers have expressed concerns about interchange rates related to Visa® and MasterCard® credit and debit transactions and about increases in the interchange rates. In some countries, regulators have taken actions to challenge or reduce interchange rates and certain other fees that banks charge on transactions. While there is no specific imminent regulatory action pending to restrict interchange rates in the United States, interchange rates have also been the topic of increased Congressional and regulatory interest. Also in the United States, several suits have been filed by various merchants alleging that the establishment of interchange rates violates the antitrust laws. Any restriction on or reduction in interchange rates would reduce the amount of interchange paid to us and could have an adverse effect upon our results of operations and financial position.

Federal and state legislatures as well as government regulatory agencies are considering increased regulation of credit cards through legislative and regulatory initiatives that could impact our business, such as proposals related to enhanced credit scoring disclosure, interchange rates, defaults, billing practices, account repricing, penalty pricing, payment hierarchy, minimum monthly payments and other aspects of credit card lending, marketing and operations. There are other legislative and regulatory initiatives, including amendments to laws and regulations as well as proposals under discussion or consideration, that could impact the manner in which we conduct and fund our business, such as amendments to regulations governing unfair or deceptive acts and practices and proposals dealing with data security, identity theft and the securitization of credit card receivables and other loans. It is possible that if any versions of these proposals were to become effective they could impact our business and, accordingly, could make compliance more difficult and expensive and could negatively affect our operating results and the manner in which we conduct our business. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the federal or state proposals will become law.

We have procedures to comply with local, state and federal laws, rules and regulations applicable to us and to our business and we believe that we comply in all material respects with these requirements. We incur substantial costs and expenses in connection with our compliance programs and efforts. If it were determined that we were not in compliance with applicable statutory and regulatory requirements it could lead to: economic remedies such as penalties, fines and other payments; litigation exposure, including, class action lawsuits; and administrative enforcement actions. Changes to statutes, regulations or regulatory policies, guidance or interpretations or the outcomes of regulatory reviews or examinations could adversely affect us, including by limiting the types of products and services we may offer and the amounts of finance charge rates or other fees we may charge. For further discussion, see "Item 1. Business — Government Regulation."

We are subject to regulation by a number of different regulatory agencies and authorities, including bank regulatory authorities, which have broad discretion to take actions that could affect the manner in which we conduct our business, and could adversely affect our results of operations and our financial condition. We are subject to oversight, regulation and examination by a number of regulatory agencies and authorities, including federal and state bank regulators, the Securities and Exchange Commission and the NASDAQ stock market. We

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conduct our business credit card business through Advanta Bank Corp., a Utah chartered industrial bank that is subject to regulatory oversight and examination by both the FDIC and the Utah Department of Financial Institutions. We also own Advanta Bank, a bank chartered under the laws of the State of Delaware that is subject to regulatory oversight and examination by the FDIC and the Delaware Office of the State Bank Commissioner. Both banks are subject to provisions of federal law that regulate their activities and require them to operate in a safe and sound manner. The federal and state bank regulators may seek to apply both existing and proposed laws and regulations and to impose changes, restrictions and limitations on our banks, including our business and business practices, which could adversely affect the manner in which we conduct our business, our results of operations and our financial condition. The effects of, and changes in, the level of regulatory scrutiny, regulatory requirements, regulatory guidance and initiatives, including mandatory and possible discretionary actions by federal and state regulators, restrictions and limitations imposed by laws applicable to industrial loan banks, examinations, audits and possible agreements between a bank and its regulators may affect the operations of our banks and our financial condition. See "Item 1. Business — Government Regulation" for further discussion.

Legal proceedings against us may result in adverse outcomes. We are now and in the future may become subject to a variety of legal proceedings, including class action lawsuits, other litigation and claims arising in the ordinary course of business or discontinued operations. The costs we incur in defending ourselves or associated with settling any of these proceedings, as well as a material final judgment, injunction or decree against us, could materially adversely affect our financial condition or our ability to conduct our business. The results of litigation are difficult to predict and there can be no assurance that legal proceedings will not have a material adverse impact on our results of operations or financial condition. See "Item 3. Legal Proceedings" and Note 11 to the consolidated financial statements for further discussion.

If we do not maintain the security of our customers' personal information, we could become subject to litigation, damage our reputation and negatively affect our business and business prospects. We receive and maintain personal information about our former, existing and prospective customers directly and through third parties providing services to us. We also store customer account information in connection with the use of our credit cards directly and through third parties. A breach of the systems on which personally identifiable and other sensitive customer information is stored could lead to fraudulent activity using our credit cards or to other illegal and fraudulent activities, including identity theft. In addition, the use and security of personal, financial and other non-public information provided to us by our customers and prospects is the subject of legislation and regulation at the federal and state levels. While we continually strive to maintain our compliance with applicable privacy and security laws and regulations, if we were to experience a data breach involving personal information about our customers or their accounts, we could be subject to increased risk of litigation, fines or penalties as well as increased costs and expenses to come into compliance which could adversely affect our reputation, results of operations, financial condition and ability to conduct our business.

Changes in accounting may affect our reported earnings and results of operations. U.S. generally accepted accounting principles and accompanying accounting pronouncements, implementation guidelines, interpretations and practices for many aspects of our business are complex and involve subjective judgments, such as accounting for the allowance for receivable losses, securitization income, rewards programs and income taxes. Changes in these estimates or changes in other accounting rules and principles, or their interpretation, could significantly change our reported earnings and operating results, and could add significant volatility to those measures. For further discussion see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates" and Note 2 to the consolidated financial statements.

In September 2008, the FASB issued exposure drafts of proposed amendments with substantial revisions to SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, ("FIN No. 46R"). We sell business credit card receivables in securitization transactions using a securitization trust that is a qualifying special purpose entity ("QSPE") under SFAS No. 140, and therefore, the assets and liabilities of the trust are not consolidated as part of our consolidated financial statements under GAAP.

Proposed changes include the elimination of the QSPE concept from GAAP. If the QSPE concept is eliminated, our securitization structure will have to be evaluated under FIN No. 46R for potential consolidation.

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The FASB issued its proposed amendments for public comment and, based upon public comments received and other considerations, may revise the amendments before issuing final guidance. Although we cannot at this time predict the content of the final amendments, we may lose sale accounting treatment for previous and future securitization transactions and we may be required to consolidate the assets and liabilities of the trust, which would materially affect our consolidated balance sheets.

It is not clear, however, when the amendments ultimately will be adopted by the FASB, what changes to the proposed amendments could result from the comment process, how regulatory authorities will respond, or how our financial position or results of operations may be affected. There can be no assurance that amendments could not result in additional capital requirements for Advanta Bank Corp. For the reasons discussed above, if final guidance from FASB impacts the accounting treatment of our securitizations, it could materially adversely affect our financial condition, reserve requirements, capital requirements, liquidity, cost of funds and operations.

If third parties claim we infringe their intellectual property rights it could negatively impact our business and financial position. From time to time we receive notices from others claiming we infringe their intellectual property rights. In recent years, the number of patent claims assertions has increased generally in the United States and the number of these claims that others may assert against us could grow. Regardless of the merit of these claims, they could be time consuming and could result in costly litigation. Responding to these claims may require us to:

- enter into royalty and licensing agreements on less favorable terms;
- develop non-infringing products, services or business methods or operations; or
- pay damages or satisfy indemnification commitments under contractual provisions.

If we are required to do any of these things, our operating results and financial position may be negatively impacted.

Changes in tax laws and outcomes of tax audits may affect our tax liabilities, tax assets and financial condition. We are subject to federal income taxes as well as income and other business taxes in certain state and local jurisdictions. Significant judgment is required in determining our provision for income and other business taxes. In the ordinary course of our business, there are circumstances where the ultimate tax determination is uncertain. Our tax returns and filings are regularly under audit or examination by tax authorities. Although we believe our tax estimates are appropriate, the final determination of tax audits or examinations, and any related litigation, as well as changes in tax laws, rates, regulations and policies, or interpretations of any of the foregoing, could materially affect our tax liabilities, tax assets and financial condition.

We may be required to establish a valuation allowance against our deferred tax asset, which could negatively impact our financial condition and results of operations. Deferred income taxes represent the tax effect of the differences between the book and tax basis of assets and liabilities. Deferred tax assets are assessed periodically by management to determine if they are realizable. If based on all available information, it is more likely than not that the deferred tax asset will not be realized, then a valuation allowance must be established with a corresponding charge to net income. When evaluating the realizability of the deferred tax asset, we considered estimates of expected future taxable income, existing and projected book/tax differences, carryback and carryforward periods and tax planning strategies available. As of December 31, 2008, our assessment included an expectation that we will generate sufficient taxable income in future years to realize the deferred tax asset based on forecasts for operations over a reasonable forecasting horizon and the general and industry specific economic outlook, among other items. The level of future operating losses, changes in forecasted results, or other changes in facts and circumstances could impact our conclusion regarding the realizability of the deferred tax asset and a valuation allowance may need to be established in future periods, which could materially affect our financial condition and results of operations.

Changes in interest rates and credit spreads may reduce our profitability. Fluctuations in interest rates and credit spreads, whether caused by changes in economic conditions or other factors, may affect our profitability. Credit spreads represent the amount of incremental interest required by investors to compensate for investing in assets that are not risk free. Our cost of funding our business is influenced by market interest rates and credit spreads because the rates we pay on our publicly-offered debt securities, business credit card securitizations and bank deposit products are influenced by both market interest rates and credit spreads. A portion of our business credit card receivables are effectively at a fixed rate because of the nature of the pricing of the accounts or because the

customer pays the balance in full each month. Therefore, an increase in market interest rates could reduce our net interest income and/or our securitization income. Changes in interest rates and credit spreads can also affect the value of our assets and liabilities.

Social, economic, environmental and geographic factors can affect levels of customer spending, credit card payments and other customer behaviors, as well as our ability to predict customer behaviors, in ways that could negatively impact our asset quality and profitability. A variety of social, economic, environmental and geographic factors can adversely affect customer behaviors, such as levels of credit card use, payment patterns, delinquencies, charge-offs and the number of customers filing under bankruptcy laws. Social factors include changes in confidence levels and attitudes toward incurring debt, the public's perception of the use of credit cards and the stigma of bankruptcy. Economic factors include the rates of inflation, the unemployment rates and the relative interest rates offered for various types of loans. In addition, acts of terrorism in the United States and the political and military response to any such events may have an adverse effect on general economic or environmental conditions, business confidence and spending, and general market liquidity. Geographic factors may include adverse changes in economic and environmental conditions in states where customers are located which could have a direct impact on the customers' use of our credit cards as well as on the timing and amount of payments on the accounts. Any of these factors could negatively impact our small business customers and could have an adverse affect on the performance of our business credit card portfolio and our profitability through, among other things, lower new account originations, lower credit card use, increases in delinquencies, increases in the number of customers seeking protection under the bankruptcy laws, increases in charge-offs and credit losses and changes in payment patterns. In addition, any of these factors could negatively impact our ability to accurately predict or anticipate customer behavior. This could cause our business models, including our proprietary credit scoring and other models used to predict and forecast customer behavior and financial results, to produce less accurate and reliable results.

Market conditions and other factors beyond our control could negatively impact the availability and cost of funding for our operations. We fund our operations through a number of sources, including securitizations, deposits at our bank subsidiaries and sales of unsecured debt securities. Currently our unsecured debt is rated below investment grade. Non-investment grade ratings of our unsecured debt from rating agencies could make it more difficult and more costly for us to sell debt or equity securities in the capital markets. Continuation of our below investment grade ratings or a down-grade of any of the ratings of our unsecured debt may negatively affect, among other things, our ability to borrow or raise funds on terms that we consider reasonable to us. If we are unable to obtain funding on reasonable terms, it may negatively impact our ability to fund our operations.

To generate cash for the funding of our operations we have historically relied on our ability to combine and sell business credit card receivables as asset-backed securities through transactions known as securitizations. At December 31, 2008, off-balance sheet securitized receivables represented 55% of our funding. Our ability to complete securitizations depends upon:

- general conditions in the securities markets;
- specific conditions in the asset-backed securities markets;
- the quality of our business credit card portfolio; and
- the ratings on the asset-backed securities sold in the securitizations.

The disruption in the credit and financial markets has negatively impacted the securitization markets, the value of certain of our investments and the value of our retained interests in securitizations, which has impacted our funding decisions and our ability to realize expected levels of return on certain of our assets. In February 2009, Standard and Poor's and Moody's Investor Service both downgraded their ratings on certain of the AdvantaSeries notes issued by our securitization trust. Due to the disruption in the capital markets, since the second quarter of 2008 we have not accessed the securitization markets which have historically been a significant source of our funding. It is uncertain whether or on what terms we will have access to the securitization markets as a source of funding in the future. Although securitizations are not our only source of cash to fund our operations, if our access to securitization funding on terms that we consider reasonable to us continues to be disrupted, it could negatively impact our results of operations and financial condition.

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The occurrence of certain events could result in the early amortization of our outstanding business credit card securitization transactions. If an early amortization occurred it could have a negative impact on the value of certain of our assets and negatively affect our results of operations and financial condition. Early amortization triggers include, among others, insufficient cash flows from the securitized pool of receivables to meet contractual requirements (for example, "excess spread" requirements). Our business credit card securitizations are typically structured as "revolving transactions" and the occurrence of an event that would trigger an early amortization would result in the end of the revolving period prior to the expected date. In an early amortization, the securitization noteholders are paid as payments are received from customers on the securitized receivables. We have securitization structuring alternatives and other tools available to us to increase the trust's cash-based revenues, if we choose to do so, that we believe will avoid an early amortization for the trust or any individual securitization. Also, we are under no obligation to fund new receivables on our balance sheet whether or not there is an early amortization. We can do so for the accounts we choose and to the degree we choose. Therefore, we do not expect an early amortization to cause a serious reduction of our strong levels of liquidity. Our expectation is that we would use our tools to prevent an early amortization unless we conclude that it is to our advantage not to do so. This could be the case if we believed that our overall liquidity and equity would be maximized by not preventing an early amortization.

If we are unable to develop, introduce or offer new or competitive products and services, our ability to generate new accounts and compete effectively could be adversely affected. Many factors could prevent us from developing, introducing or offering new or competitive products and services, including our inability to obtain licenses for intellectual property rights or to obtain them at acceptable costs, the failure of or delay in customers' acceptance of our products or services, losses associated with the testing and implementation of new products or services or financial, legal or other difficulties arising in the course of implementing new products or services. If we are unable to successfully develop, acquire, produce, test, market and offer new or competitive products and services, it could adversely affect our competitive position, including our ability to generate new accounts and to generate receivables in existing accounts.

Our strategic, contractual and other relationships with third parties expose us to risks that may disrupt our business operations and adversely affect our results of operations and financial condition. We rely on third parties to provide services that are critically important to our business credit card business. For example, we rely on third parties to perform certain administrative functions associated with servicing our business credit card accounts (such as our relationships with FDR and Genpact), and to supply credit scores and other credit-related data and information about our potential and existing customers. In addition, from time to time we partner or contract with, invest in or enter into other relationships with third parties to establish relationships that are necessary for us to conduct our business or are intended to benefit our business operations and financial condition, including outsourcing and other initiatives to enhance our productivity and operational efficiency.

These arrangements with third parties expose us to a number of risks, such as the following:

- If any third party providing services critical to our business were to fail or become insolvent, or if we were unable to renew expiring agreements with such parties on mutually acceptable terms, our business operations, results of operations and financial condition could be adversely impacted.
- To the extent these third party relationships involve or depend on the transfer of knowledge related to our business for their success, we may be exposed to risks associated with misappropriation or misuse of intellectual property or confidential information, including information that is proprietary to us or to our customers.
- If the third parties do not perform as anticipated or if they default on their obligations, we may not realize the intended benefits of these relationships, including the expected productivity, cost or expense improvements.
- In the event of a default or termination, our agreements with third parties may take an extended period of time to unwind or resolve and, under certain circumstances such as early termination, may require us to pay

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substantial termination fees, which could adversely affect our business operations, results of operations and financial condition.

- If our relationships with third parties include indemnification provisions or obligations, we may be required, under specified circumstances, to indemnify the other parties for certain losses they incur in connection with the products or services they provide to us. In the event we are obligated to make payments to third parties under indemnification or other obligations for losses of third parties, it could adversely affect our results of operations and financial condition. For further discussion, see Note 11 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.
- If our relationship is with a third party located outside of the United States, we may be exposed to international economic, political and other risks that could adversely affect our business, including, instability in international political and economic conditions, different intellectual property laws and protections and difficulty in administering and enforcing our policies and procedures in a foreign country, any of which could adversely affect our results of operations and financial condition.

We face intense competition in the credit card industry which could negatively impact our ability to generate new accounts and receivables. Advanta Business Cards competes in the highly competitive credit card industry. Within the credit card industry there is aggressive and highly competitive use of advertising, product and service offerings and pricing, including with respect to finance charge rates, rewards and other incentive programs and cardholder fees. Many of our competitors are substantially larger and have more capital and other resources than we do. In addition, there has been a trend toward consolidation among credit card issuers in recent years which has resulted in even larger competitors. Competition among lenders can take many forms, including convenience in obtaining a loan or credit card, the size of their existing customer base, the ability to cross sell products to that customer base, intellectual property rights, customer service, rewards programs, size of credit lines, finance charge rates and other types of finance or service charges, the nature of the risk the lender is willing to assume and the type of security, if any, required by the lender. These competitive pressures may increase and could negatively impact our ability to market our products and services effectively, our ability to attract and retain customers, our ability to generate new business credit card receivables and our profitability. See "Item 1. Business — Competition" for further discussion.

We may make investments in innovation, new lines of business, new business strategies and ideas that may disrupt our ongoing business and may not be successful. We have invested, and in the future may invest, in new business ideas and strategies, new lines of business, initiatives to innovate our ongoing business and strategy, and resources, including human resources, to implement any of the foregoing. These efforts involve investments of financial resources, employees' time and other human resources and involve significant risks and uncertainties, including distraction of management and other personnel from current operations, inability to generate sufficient revenues to offset expenses associated with the endeavor and the potential identification of risks and issues that were not known or discovered before we invested in the initiative. Because these investments are inherently risky and uncertain, there can be no assurance that the investments, strategies or initiatives will be successful or profitable and will not negatively affect the Company's operating results or financial condition.

Our business and business prospects could be negatively impacted if our reputation is damaged. We are exposed to risk to our reputation which can result from alleged conduct in a number of areas, including marketing, lending and pricing practices, corporate governance and actions taken by legislators, regulators, customers or parties with whom we have a business relationship. Our reputation could also be harmed by even the appearance of not adequately addressing these or other similar potential issues that may arise. If these or other similar issues were to arise we could face increased risk of litigation, fines or penalties as well as increased costs and expenses to address the issues, which could have a material adverse effect on our results of operations, financial condition or our ability to conduct our business.

Loss of key personnel could adversely affect our business. Our success depends, in part, on our executive officers and other key personnel. We may not be able to retain talented employees or to replace or succeed key executive officers or key personnel with qualified personnel. Competition for talented personnel is intense. The loss of key personnel could adversely affect our business.

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Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

In April 2007, the Board of Directors of Advanta Corp. approved a three-for-two stock split, in the form of a 50% stock dividend payable June 15, 2007, on both Class A and Class B Common Stock. We have adjusted all share amounts and per share data in Management's Discussion and Analysis of Financial Condition and Results of Operations to reflect the stock split for all periods presented.

Overview

Our Advanta Business Cards segment issues (through Advanta Bank Corp.) business purpose credit cards to small businesses and business professionals in the United States. Our business credit card accounts provide approved customers with unsecured revolving business credit lines. Advanta Business Cards revenue is generated through interest earned on outstanding balances, interchange income, balance transfer fees, cash usage fees and other fees. Through the first quarter of 2001, we had two additional lending businesses, Advanta Mortgage and Advanta Leasing Services. In the first quarter of 2001, we completed our exit from the mortgage business, announced the discontinuance of our leasing business, and restructured our corporate functions to a size commensurate with our ongoing businesses. Changes in estimate related to our exit from the mortgage business and discontinuance of the leasing business are reported as discontinued operations for all periods presented.

The current market and economic environments present us with inherent and specific challenges. The general economic environment in the United States has had and is expected to continue to have a significant impact on our results. Deterioration in the U.S. economy has negatively impacted the credit quality of our receivables and decreased rates of growth in customer merchandise sales volume. We expect the increases in delinquency rates and lower merchandise sales volume growth rates may continue through at least some portion of 2009 based on current economic forecasts and actual results experienced in early 2009. Additional deterioration in the U.S. economy could cause these trends to continue or worsen. We anticipate that the negative effects of the economic downturn will be partially offset by higher net interest margin resulting from decreases in market interest rates and planned pricing strategies. The intense competition in the credit card industry may also affect our ability to retain customers and to deepen our customer relationships. We believe that an improvement in the U.S. economy could favorably impact the credit quality of our receivables, increase customer activity and improve profitability.

We believe that we have helped position ourselves for the current challenging economic environment by increasing our levels of cash and liquid assets throughout 2008 and maintaining strong capital levels. In addition, we intentionally acquired fewer new customers in 2008 and reduced certain promotional activities. In 2009, we intend to build value from our existing customer base, focusing strategically on customers that are more profitable for us. Our Board of Directors has approved a significant reduction in our dividend rate for both Class A and Class B Common Stock effective in the first quarter of 2009. We will also reduce our operating expenses in 2009 through further reductions in acquisition marketing efforts and reduced staffing levels more commensurate with our anticipated portfolio size and the anticipated scale of business activities.

Our primary competitors are among the largest issuers of credit cards in the United States. As a small business credit card issuer we compete for, among other things, customers, card utilization and payments on outstanding balances. We believe our exclusive focus on the small business market and related community, as well as our experience in serving this market, provide us with a competitive advantage as compared to these larger competitors. Small business credit cards generally represent a less significant portion of our competitors' businesses as compared to their consumer credit card portfolios. We believe that our focus and size enable us to quickly respond to the market environment.

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Income (loss) from continuing operations includes the following business segment results for the years ended December 31:

($ in thousands, except per share amounts)	2008	2007	2006
Pretax income (loss):			
Advanta Business Cards	$(85,690)	$126,485	$135,587
Other	19,559	(10,805)	1,401
Total pretax income (loss)	(66,131)	115,680	136,988
Income tax expense (benefit)	(22,308)	44,652	52,740
Income (loss) from continuing operations	$(43,823)	$ 71,028	$ 84,248
Per combined diluted common share	$ (1.08)	$ 1.61	$ 1.91

The decrease in Advanta Business Cards pretax income (loss) for the year ended December 31, 2008 as compared to 2007 reflects the challenging economic environment and is due primarily to increases in net principal charge-off and delinquency rates on owned and securitized receivables, a $14.0 million non-recurring provision for rewards costs, deterioration in credit markets that negatively impacted our fair value estimates of retained interests in securitizations, and an increase in operating expenses. These impacts are partially offset by higher interest yields on owned and securitized receivables, lower off-balance sheet cost of funds rates, higher average securitized receivables and higher gains on sales of MasterCard Incorporated shares. Despite our focus on high credit quality customers, we had higher delinquency and net principal charge-off rates in the year ended December 31, 2008 as compared to 2007 due primarily to deterioration in the U.S. economy and, to a lesser extent, continued seasoning of the portfolio, and as a result, we had higher provisions for credit losses and lower securitization income. Based on the current economic environment, we expect these negative trends to continue to affect our provision for credit losses, securitization income and results of operations in 2009. Additionally, further deterioration in the U.S. economy could worsen these trends. The average yields earned on business credit card receivables increased due primarily to pricing strategies we implemented and a lower level of new account originations. The average floating interest rates earned by securitization noteholders have decreased due to decreases in short-term market interest rates. Operating expenses increased for the year ended December 31, 2008 as compared to 2007 as we implemented initiatives in 2008 designed to manage risk exposures in the current economic environment and to enhance our competitive position in the small business market when the economy improves.

The decrease in Advanta Business Cards pretax income for the year ended December 31, 2007 as compared to 2006 is due primarily to an increase in net principal charge-off and delinquency rates on owned and securitized receivables and lower interest yields. The rate of new customer and receivables growth and our competitive product offerings increased the percentage of customers in the receivable portfolio with promotional or competitive pricing, which reduced average interest yields in the year ending December 31, 2007 as compared to 2006. Although we continued to originate high credit quality customers in 2007, we had higher delinquency and net principal charge-offs rates in 2007 as compared to 2006 due primarily to deterioration in the economic environment and seasoning of accounts within the receivable portfolio, and as a result, we had higher provision for credit losses and lower securitization income. The unfavorable impact of higher provision for credit losses, lower securitization income and lower interest yields in 2007 were partially offset by growth in average owned and securitized receivables, higher transaction volume, gains on the sale of MasterCard Incorporated shares, and a decrease in operating expenses as a percentage of owned and securitized receivables.

Results not related to the Advanta Business Cards segment for the year ended December 31, 2008 include $13.4 million of noninterest revenues associated with a gain on the redemption of Visa Inc. shares and a $6.1 million net decrease in Visa indemnification reserves that reduced operating expenses. Pretax income for the year ended December 31, 2007 includes $12.0 million of expenses associated with a contingent obligation to indemnify Visa Inc. for certain litigation matters. See "Contingencies" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion.

There was no gain or loss on discontinuance of our mortgage or leasing businesses for the year ended December 31, 2008. For the year ended December 31, 2007, we recorded an after-tax gain on the discontinuance of

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our mortgage and leasing businesses of $1.0 million, or $0.02 per combined diluted common share, and an after-tax gain of $738 thousand, or $0.02 per combined diluted common share, for the year ended December 31, 2006. See "Discontinued Operations" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion.

In June 2008, FASB issued FASB Staff Position ("FSP") No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. The FSP concludes that unvested share-based payment awards that contain nonforfeitable rights to dividends are participating securities under Statement of Financial Accounting Standards ("SFAS") No. 128, *Earnings Per Share,* and should be included in the computation of earnings per share under the two-class method. The two-class method is an earnings allocation formula that we currently use to determine earnings per share for our Class A and Class B Common Stock according to dividends declared and participation rights in undistributed earnings. The nonvested shares of Class B Common Stock issued under our stock-based incentive plan are participating securities with nonforfeitable rights to dividends. Therefore, upon adoption of FSP No. EITF 03-6-1 effective January 1, 2009, our nonvested Class B Common Stock will be a third class of stock for purposes of earnings per share computations. This will result in lower proportionate income or loss allocations to our Class A and Class B Common Stock and will impact our reported earnings per Class A and Class B share. We will adjust all prior period earnings per share data presented to conform to the provisions of this FSP. The adoption of this FSP will not impact our financial position or net income.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in Note 2 to the consolidated financial statements. The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Estimates are inherently subjective and are susceptible to significant revision as more information becomes available. Changes in estimates could have a material impact on our financial position or results of operations. We have identified the following as our most critical accounting policies and estimates because they require management's most difficult, subjective or complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. We have discussed the development, selection and disclosure of the critical accounting policies and estimates with the Audit Committee of the Board of Directors. Where management has provided sensitivities below, they depict only certain possibilities out of a large set of possible scenarios. These sensitivities do not reflect management's expectations of changes and are for demonstrative purposes only.

Allowance for Receivable Losses

Receivables on the consolidated balance sheets are presented net of an allowance for receivable losses. The allowance for receivable losses represents management's estimate of probable losses inherent in the on-balance sheet receivable portfolio. We establish the allowance for receivable losses through provisions charged to earnings. We report provisions for credit losses, representing the portion of receivable losses attributable to principal, separately on the consolidated income statements. We record provisions for interest and fee receivable losses as direct reductions to interest and fee income. The allowance for receivable losses is evaluated on a regular basis by management and is based upon management's review of the collectibility of receivables in light of historical experience by receivable type, the nature and volume of the receivable portfolio, adverse situations that may affect the borrowers' ability to repay and prevailing economic conditions. Since our business credit card receivable portfolio is comprised of smaller balance homogeneous receivables, we generally evaluate the receivables collectively for impairment through the use of a migration analysis as well as the consideration of other factors that may indicate increased risk of loss, such as bankrupt accounts, overlimit accounts or accounts that have been re-aged or entered a workout program. A migration analysis is a technique used to estimate the likelihood that a receivable or pool of receivables will progress through various delinquency stages and charge off. The allowance evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Changes in economic conditions, the composition and risk characteristics of the receivables portfolio, bankruptcy laws or regulatory policies could impact our credit losses. A 10% change in the

allowance for business credit card receivable losses at December 31, 2008 would impact the allowance for receivable losses and pretax income of the Advanta Business Cards segment by $10.3 million. See Note 5 to the consolidated financial statements for a rollforward of the allowance for receivable losses including provisions and charge-offs in each reporting period.

Securitization Income

Off-balance sheet securitized receivables represent a significant portion of our funding at December 31, 2008. Retained interests in securitizations are included in accounts receivable from securitizations on the consolidated balance sheets. These assets are carried at estimated fair value and the resulting unrealized gain or loss from the valuation is included in securitization income on the consolidated income statements. We estimate the fair value of retained interests in securitizations based on a discounted cash flow analysis if quoted market prices are not available. We estimate the cash flows of the retained interest-only strip as the excess of the interest yield on the pool of the receivables sold over the sum of the interest rate earned by noteholders, the servicing fee and future credit losses over the life of the existing receivables. We discount cash flows from the date the cash is expected to become available to us using an interest rate that management believes a third party purchaser would demand. The discounted cash flow analysis is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Changes in economic conditions, market interest rates, changes in the level of payments on securitized receivables, the composition and risk characteristics of the securitized receivables, bankruptcy laws or regulatory policies could cause actual cash flows from the securitized receivables to vary from management's estimates.

Note 6 to the consolidated financial statements summarizes the key assumptions used to estimate the fair value of retained interests in securitizations during each of the reporting periods and at December 31, 2008 and 2007. Note 6 also includes a sensitivity analysis of the valuations of retained interests in securitizations, assuming two changes in each of those assumptions at December 31, 2008. See "Securitization Income (Loss)" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of valuation adjustments to retained interests in securitizations in each of the reporting periods.

Rewards Programs

We offer rewards programs with most of our business purpose credit cards. Under our rewards programs, customers may earn cash back rewards and/or business rewards that can be redeemed for travel, gift certificates or merchandise. We estimate the costs of future rewards redemptions and record a liability at the time rewards are earned by the customer. These costs of future rewards redemptions are recorded as a reduction of other revenues on the consolidated income statements. Estimates of the costs of future rewards redemptions require management to make predictions about future customer behavior, including assumptions regarding the percentage of earned rewards that customers will ultimately redeem and the cost of business rewards. We base the assumptions on historical experience, consideration of changes in portfolio composition and changes in the rewards programs, including redemption terms. It is reasonably possible that actual results will differ from our estimates or that our estimated liability for these programs may change. If either the estimated percentage of earned rewards that customers will ultimately redeem for each program or the estimated cost per redeemed reward point increased by 10% at December 31, 2008, other revenues of the Advanta Business Cards segment would decrease $3.7 million and other liabilities would increase by the same amount.

We revised our estimated costs of future rewards redemptions in each of the three years ended December 31, 2008 based on changes in experience in redemption rates and the costs of business rewards redeemed, and/or changes in the rewards programs. The changes in estimated costs of future rewards redemptions increased other revenues $1.1 million for the year ended December 31, 2008, $2.2 million for 2007 and $500 thousand for 2006.

Income Taxes

Our effective tax rate is based on expected income, statutory tax rates, current tax law, changes in uncertain tax positions and tax planning opportunities available to us in the various jurisdictions in which we operate. Management judgment is required in determining our effective tax rate and in evaluating our tax positions. While

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it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe that our liability for uncertain tax positions reflects the probable outcome of known tax contingencies.

Tax positions taken or expected to be taken in a tax return are evaluated using a threshold that it is more likely than not that the tax position will be sustained upon examination. If a tax position meets the more-likely-than-not recognition threshold, it is initially and subsequently measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. This analysis is inherently subjective, as it requires management to forecast the outcome of future tax examinations and the amount of tax benefits that will ultimately be realized given the facts, circumstances, and information available at the reporting date. New information may become available in future periods that could cause the actual amount of tax benefits to vary from management's estimates.

Deferred income tax assets and liabilities are determined based on the tax effects of the temporary differences between the book and tax bases of the various assets and liabilities and give current recognition to changes in tax rates and laws. Changes in tax laws, rates, regulations and policies, or the final determination of tax audits or examinations, could materially affect our tax estimates and are outside of our control. We evaluate the realizability of the deferred tax asset and recognize a valuation allowance if, based on the weight of all available positive and negative evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. When evaluating the realizability of the deferred tax asset, we consider estimates of expected future taxable income, existing and projected book/tax differences, carryback and carryforward periods, tax planning strategies available, and the general and industry specific economic outlook. Estimates of expected future taxable income are based on forecasts for operations over a reasonable forecasting horizon and include the expected timing of reversals of existing and projected book/tax differences and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires management to forecast the business credit card market and the competitive and general economic environment in future periods. The forecast of taxable income in future periods was more challenging at December 31, 2008 as a result of the current economic environment.

Changes in estimates of deferred tax asset realizability or effective tax rates may impact the income tax expense of our Advanta Business Cards segment, other continuing operations not attributable to segments or discontinued operations, depending on the circumstances associated with the change in estimate. The net deferred tax asset is included in other assets on the consolidated balance sheets. A 10% decrease in the estimated realizability of our net deferred tax asset would decrease the deferred tax asset and increase income tax expense by $7.1 million at December 31, 2008. A 100 basis point decrease in our effective tax benefit rate, which includes provisions for uncertain tax positions, would decrease our income tax benefit attributable to continuing operations by $661 thousand for the year ended December 31, 2008.

Exhibit O

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☑ **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

for the quarterly period ended March 31, 2008 or

☐ **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from ________ to ________

Commission File Number 0-14120

Advanta Corp.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	23-1462070 (I.R.S. Employer Identification No.)
Welsh and McKean Roads, P.O. Box 844, Spring House, PA (Address of Principal Executive Offices)	19477 (Zip Code)

(215) 657-4000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 5, 2008
Class A Common Stock, $.01 par value per share	14,410,133 shares
Class B Common Stock, $.01 par value per share	31,228,040 shares

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Advanta", "we", "us", and "our" refer to Advanta Corp. and its subsidiaries, unless the context otherwise requires.

In April 2007, the Board of Directors of Advanta Corp. approved a three-for-two stock split, in the form of a 50% stock dividend payable June 15, 2007, on both Class A and Class B Common Stock. We have adjusted all share amounts and per share data in Management's Discussion and Analysis of Financial Condition and Results of Operations to reflect the stock split for all periods presented.

OVERVIEW

Net income includes the following business segment results:

	Three Months Ended March 31,	
($ in thousands, except per share data)	2008	2007
Pretax income:		
Advanta Business Cards	$10,783	$34,811
Other(1)	18,907	465
Total pretax income	29,690	35,276
Income tax expense	11,328	13,828
Net income	$18,362	$21,448
Per combined common share, assuming dilution	$ 0.44	$ 0.48

(1) The three months ended March 31, 2008 include a $13.4 million gain on the redemption of Visa Inc. shares and the benefit of a $5.5 million decrease in Visa indemnification reserves.

Our Advanta Business Cards segment offers business purpose credit cards. Our product offerings are designed to selectively attract and retain high credit quality customers and to respond to the competitive environment. Our product offerings have been competitively priced and have typically included promotional pricing and rewards. Promotional pricing reduces the interest yield on new accounts during the initial promotional periods. The decrease in Advanta Business Cards pretax income for the three months ended March 31, 2008 as compared to the same period of 2007 is due primarily to an increase in net principal charge-off and delinquency rates on owned and securitized receivables, partially offset by higher interest yields on owned and securitized receivables, a lower off-balance sheet cost of funds rate, higher average securitized receivables and a gain on the sale of MasterCard Incorporated shares. Although we continued to originate high credit quality customers, we had higher delinquency and net principal charge-off rates in the three months ended March 31, 2008 as compared to the same period of 2007 due primarily to deterioration in the U.S. economy and, to a lesser extent, continued seasoning of the portfolio, and as a result, we had higher provision for credit losses and lower securitization income. Additional deterioration in the U.S. economy could further affect our provision for credit losses, securitization income and results of operations. The average yield earned on business credit card receivables increased due to our pricing and marketing strategies, the expiration of introductory pricing periods on many accounts originated in prior periods, and the lower level of new account originations. The average floating interest rate earned by securitization noteholders has decreased due to the market interest rate environment.

Pretax income for the three months ended March 31, 2008 includes a $13.4 million gain on the redemption of Visa Inc. shares and the benefit of a $5.5 million decrease in Visa indemnification reserves. See "Contingencies" section of

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Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. We have identified accounting for allowance for receivable losses, securitization income, rewards programs and income taxes as our most critical accounting policies and estimates because they require management's most difficult, subjective or complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. Estimates are inherently subjective and are susceptible to significant revision as more information becomes available. Changes in estimates could have a material impact on our financial position or results of operations. These accounting policies and estimates are described in our Annual Report on Form 10-K for the year ended December 31, 2007.

ADVANTA BUSINESS CARDS

Advanta Business Cards originates new accounts directly and through the use of third parties. The following table provides key statistical information on our business credit card portfolio. Credit quality statistics for the business credit card portfolio are included in the "Provision and Allowance for Receivable Losses" section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Three Months Ended March 31,	
($ in thousands)	**2008**	**2007**
Average owned receivables	$ 999,130	$1,284,900
Average securitized receivables	$5,350,034	$4,152,857
Customer transaction volume	$3,438,113	$3,389,065
New account originations	67,094	96,781
Average number of active accounts(1)	956,100	848,375
Ending number of accounts at March 31	1,331,496	1,191,820

(1) Active accounts are defined as accounts with a balance at month-end. Active account statistics do not include charged-off accounts. The statistics reported above are the average number of active accounts for the three months ended March 31.

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In response to the current economic conditions, we reduced mail volume in direct mail account acquisition campaigns in 2008 and as a result had fewer new account originations for the three months ended March 31, 2008 as compared to the same period of 2007 .. Based on our currently planned marketing strategies and in continued response to current economic conditions, we expect to originate substantially fewer new accounts in 2008 as compared to 2007.

The components of pretax income for Advanta Business Cards are as follows:

($ in thousands)	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Net interest income on owned interest-earning assets	$ 17,818	$ 27,243
Noninterest revenues	96,201	84,326
Provision for credit losses	(28,382)	(10,083)
Operating expenses	(74,854)	(66,675)
Pretax income	$ 10,783	$ 34,811

Net interest income on owned interest-earning assets decreased $9.4 million for the three months ended March 31, 2008 as compared to the same period of 2007. The decrease was due primarily to a decrease in average owned receivables and an increase in interest expense, partially offset by an increase in the average yield earned on receivables. The average yield earned on business credit card receivables increased due to our pricing and marketing strategies, the expiration of introductory pricing periods on many accounts originated in prior periods, and the lower level of new account originations. We have increased our liquidity in response to continued turmoil in the capital markets. Interest expense increased for the three months ended March 31, 2008 as compared to the same period of 2007 due to the costs of additional liquidity and also because interest expense for the three months ended March 31, 2007 included the benefit of a deposit insurance credit sale gain of $920 thousand. For segment reporting purposes, the gain is included in the allocation of interest expense to Advanta Business Cards. Average owned business credit card receivables decreased $286 million for the three months ended March 31, 2008 as compared to the same period of 2007.

Noninterest revenues include securitization income, servicing revenues, interchange income and other revenues, and are reduced by rewards costs. Noninterest revenues increased $11.9 million for the three months ended March 31, 2008 as compared to the same period of 2007 due primarily to higher merchandise sales transaction volume that resulted in higher interchange income, increased volume of securitized receivables that resulted in higher servicing fees and a $4.6 million investment gain on MasterCard Incorporated shares, partially offset by higher rewards costs and lower securitization income. Securitization income decreased for the three months ended March 31, 2008 as compared to the same period of 2007 due primarily to an increase in net principal charge-off and delinquency rates on securitized receivables and an increase in discount rates resulting from the credit market environment, partially offset by an increase in the average yield on securitized receivables, a decrease in the average floating interest rate earned by noteholders due to the market interest rate environment, and growth in average securitized receivables.

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The increase in provision for credit losses for the three months ended March 31, 2008 as compared to the same period of 2007 was due primarily to increases in delinquency and net principal charge-off rate trends, partially offset by a decrease in average owned business credit card receivables. The increases in delinquency and net principal charge-off rates are the result of deterioration in the U.S. economy and, to a lesser extent, continued seasoning of the portfolio. See "Provision and Allowance for Receivable Losses" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for more detailed discussion and a table of credit quality data.

Operating expenses for the three months ended March 31, 2008 increased as compared to the same period of 2007 due primarily to higher personnel costs and expenses associated with profitability and marketing initiatives, partially offset by lower amortization of deferred origination costs related to the decrease in new account originations. In 2007, we piloted new offshoring initiatives involving certain of our business processes and information technology functions. In the first quarter of 2008, we decided to move forward with offshoring these processes, which we expect will result in significant operating expense savings related to these business processes in future years. We are also currently evaluating customer-focused initiatives to add value, as well as initiatives to enhance our competitive position in the small business market when the economy improves. We expect costs from these initiatives, in combination with costs associated with the transition from pilot to implementation of offshoring and other outsourcing activities, to result in higher operating expenses for the remainder of 2008.

INTEREST INCOME AND EXPENSE

	Three Months Ended March 31,	
($ in thousands)	**2008**	**2007**
Interest income	$46,047	$48,355
Interest expense	28,144	22,562

Total interest income decreased $2.3 million for the three months ended March 31, 2008 as compared to the same period of 2007. The decrease in total interest income was due primarily to decreases in average business credit card receivables and average yields earned on our investments, partially offset by an increase in the average yield earned on our business credit card receivables, higher average balances of investments and an increase in yield earned on retained interests in securitizations due to the credit market environment. The average yield earned on business credit card receivables increased due to our pricing and marketing strategies, the expiration of introductory pricing periods on many accounts originated in prior periods, and the lower level of new account originations. We expect the average yield earned on business credit card receivables to continue to increase in 2008 based on these same factors. The decrease in the average yields earned on our investments was due to the interest rate environment.

Total interest expense increased $5.6 million for the three months ended March 31, 2008 as compared to the same period of 2007. The increase in total interest expense was due primarily to an increase in our average deposits outstanding. Average deposits increased $427 million for the three months ended March 31, 2008 as compared to the same period of 2007.

The following table provides an analysis of interest income and expense data, average balance sheet data, net interest spread and net interest margin. The net interest spread represents the difference between the yield on interest-earning assets and the average rate paid on interest-bearing liabilities. The net interest margin represents net interest earnings divided by total interest-earning assets. Interest income includes late fees on business credit card receivables.

INTEREST RATE ANALYSIS AND AVERAGE BALANCES

	Three Months Ended March 31,					
	2008			2007		
($ in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest-earning assets:						
Owned receivables:						
Business credit cards(1)	$ 999,130	$ 29,031	11.69%	$1,284,900	$ 35,443	11.19%
Other receivables	7,331	99	5.44	7,671	124	6.54
Total receivables	1,006,461	29,130	11.64	1,292,571	35,567	11.16
Investments(2)	1,204,163	9,934	3.27	595,568	7,682	5.16
Retained interests in securitizations	221,002	6,985	12.64	230,817	5,106	8.85
Total interest-earning assets(3)	2,431,626	$ 46,049	7.58%	2,118,956	$ 48,355	9.22%
Noninterest-earning assets	516,086			298,622		
Total assets	$2,947,712			$2,417,578		
Interest-bearing liabilities:						
Deposits	$1,771,414	$ 21,919	4.98%	$1,344,066	$ 16,537	4.99%
Debt	215,675	3,441	6.42	227,501	3,707	6.61
Subordinated debt payable to preferred securities trust	103,093	2,317	8.99	103,093	2,317	8.99
Other borrowings	25,220	467	7.33	111	1	5.27
Total interest-bearing liabilities	2,115,402	$ 28,144	5.35%	1,674,771	$ 22,562	5.46%
Noninterest-bearing liabilities	240,454			169,317		
Total liabilities	2,355,856			1,844,088		
Stockholders' equity	591,856			573,490		
Total liabilities and stockholders' equity	$2,947,712			$2,417,578		
Net interest spread			2.23%			3.76%
Net interest margin			2.96%			4.94%

(1) Interest income includes late fees for owned business credit card receivables of $1.8 million for the three months ended March 31, 2008 and $2.5 million for the same period of 2007.

(2) Interest and average rate for tax-free securities are computed on a tax equivalent basis using a statutory rate of 35%.

(3) Includes assets held and available for sale and nonaccrual receivables.

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PROVISION AND ALLOWANCE FOR RECEIVABLE LOSSES

	Three Months Ended March 31,	
($ in thousands)	2008	2007
Provision for credit losses	$28,382	$10,083
Provision for interest and fee losses	4,361	2,446

Provision for credit losses and provision for interest and fee losses on a consolidated basis increased for the three months ended March 31, 2008 as compared to the same period of 2007. The increases in the provisions were due primarily to increases in delinquency and net principal charge-off rate trends, partially offset by a decrease in average owned business credit card receivables of $286 million for the three months ended March 31, 2008 as compared to the same period of 2007. The deterioration in credit performance is broad-based across industries, geographic regions and origination vintages in our receivable portfolio. The increasing delinquency and charge-off rates reflect deterioration in the U.S. economy and, to a lesser extent, continued seasoning of the portfolio. While we remain focused on initiatives to reduce credit losses to the extent possible in the current economic environment, additional deterioration in the U.S. economy could cause these trends to worsen.

The allowance for receivable losses on business credit card receivables was $80.0 million as of March 31, 2008, or 8.28% of owned receivables, which was higher as a percentage of owned receivables than the allowance of $67.4 million, or 6.53% of owned receivables, as of December 31, 2007. The increase in the allowance for receivable losses reflects an increase in the estimate of losses inherent in the portfolio based on increases in delinquent receivables as of March 31, 2008, recent trends in net principal charge-off rates and the current composition of the portfolio.

The following table provides credit quality data as of and for the periods indicated for our owned business credit card receivable portfolio, including a summary of allowances for receivable losses, delinquencies, nonaccrual receivables, accruing receivables past due 90 days or more, and net principal charge-offs.

($ in thousands)	March 31, 2008	December 31, 2007	March 31, 2007
Business Credit Cards – Owned			
Allowance for receivable losses	$79,972	$67,368	$49,995
Receivables 30 days or more delinquent	51,900	42,424	28,544
Receivables 90 days or more delinquent	24,028	19,204	12,878
Nonaccrual receivables	11,008	10,104	10,711
Accruing receivables past due 90 days or more	21,835	17,213	11,373
As a percentage of gross receivables:			
Allowance for receivable losses	8.28%	6.53%	4.38%
Receivables 30 days or more delinquent	5.37	4.11	2.50
Receivables 90 days or more delinquent	2.49	1.86	1.13
Nonaccrual receivables	1.14	0.98	0.94
Accruing receivables past due 90 days or more	2.26	1.67	1.00
Net principal charge-offs for the three months ended March 31 and December 31	$16,306	$11,542	$ 9,783
As a percentage of average gross receivables (annualized):			
Net principal charge-offs for the three months ended March 31 and December 31	6.53%	3.96%	3.05%

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SECURITIZATION INCOME

We sell business credit card receivables through securitizations accounted for as sales under GAAP. We continue to own and service the accounts that generate the securitized receivables. Our retained interests in securitizations entitle us to the excess spread on the securitized receivables. Excess spread represents income-related cash flows on securitized receivables net of noteholders' interest, servicing fees and credit losses. Fair value estimates used in the recognition of securitization income include estimates of future cash flows of interest income on securitized receivables in excess of interest expense (interest earned by noteholders), servicing fees and credit losses over the life of the existing securitized receivables.

Securitization income decreased $6.5 million to $17.0 million for the three months ended March 31, 2008 as compared to $23.5 million the same period of 2007. The decrease in securitization income was due primarily to an increase in net principal charge-off and delinquency rates on securitized receivables and an increase in discount rates resulting from the credit market environment, partially offset by an increase in the average yield on securitized receivables, a decrease in the average floating interest rate earned by noteholders due to the market interest rate environment, and growth in average securitized receivables. The trends in net principal charge-off and delinquency rates on securitized receivables are similar to those on owned receivables described in the "Provision And Allowance For Receivable Losses" section of Management's Discussion and Analysis of Financial Condition and Results of Operations. The trends and future expectations for yields on securitized receivables are similar to those described in the "Interest Income and Expense" section of Management's Discussion and Analysis of Financial Condition and Results of Operations. We expect the average floating interest rate earned by noteholders in the remaining quarters of 2008 to be lower than the average rate in the three months ended March 31, 2008 based on current market interest rates. Securitization income includes a favorable valuation adjustment to retained interests in securitizations of $4.0 million for the three months ended March 31, 2008. The favorable valuation adjustment was due primarily to an increase in estimated cash flows from higher yields and lower interest rates earned by noteholders, partially offset by an increase in estimated future credit losses on securitized receivables and an increase in discount rates resulting from the credit market environment, each as compared to estimates as of December 31, 2007.

Managed Receivable Data

In addition to evaluating the financial performance of the Advanta Business Cards segment under GAAP, we evaluate Advanta Business Cards' performance on a managed basis. Our managed business credit card receivable portfolio is comprised of both owned and securitized business credit card receivables. We believe that performance on a managed basis provides useful supplemental information to investors because we retain interests in the securitized receivables and, therefore, we have a financial interest in and exposure to the performance of the securitized receivables. Revenue and credit data on the managed portfolio provides additional information useful in understanding the performance of the retained interests in securitizations.

Exhibit P

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☑ **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2009

or

☐ **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ________ to ________

Commission File Number 0-14120

Advanta Corp.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	23-1462070 (I.R.S. Employer Identification No.)

Welsh and McKean Roads, P.O. Box 844, Spring House, PA 19477
(Address of Principal Executive Offices) (Zip Code)

(215) 657-4000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ☐ No ☐

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 2, 2009
Class A Common Stock, $.01 par value per share	14,410,133 shares
Class B Common Stock, $.01 par value per share	29,756,469 shares

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and related notes appearing elsewhere in this report. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions, such as those set forth in the "Cautionary Statement Pursuant to the Private Securities Litigation Reform Act of 1995," which can be found at the end of this Item, in "Item 1A. Risk Factors in Part II of this report and in "Item 1A. Risk Factors" found in Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008. Our actual results and the timing of events may differ materially from those anticipated in these forward-looking statements.

"Advanta", "we", "us" and "our" refer to Advanta Corp. and its subsidiaries, unless the context otherwise requires.

OVERVIEW

Advanta was founded in 1951 and has long been an innovator in the financial services industry. Most recently, we were one of the nation's largest credit card issuers (through Advanta Bank Corp.) in the small business market. At this time we are not originating new business credit card accounts or funding new business credit card receivables. Today, we are the servicer for the business credit card receivables that we own on our balance sheet and also the business credit card receivables that are owned by the Advanta Business Card Master Trust. As servicer, we will continue to service and collect the amounts owed on these receivables. In the future, we may pursue other business ventures in the small business market, financial services industry or in other markets or industries.

The following table summarizes our financial results for each of the reporting periods.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands, except per share data)	**2009**	**2008**	**2009**	**2008**
Pretax income (loss)	$(79,373)	$(35,627)	$(447,659)	$ 1,539
Income tax expense (benefit)	(2,888)	(16,369)	34,800	(1,580)
Net income (loss)	$(76,485)	$(19,258)	$(482,459)	$ 3,119
Diluted net income (loss) per common share:				
Class A	$ (1.89)	$ (0.51)	$ (11.90)	$ (0.02)
Class B	$ (1.89)	$ (0.48)	$ (11.89)	$ 0.06

Deterioration of the U.S. economy beginning in the latter half of 2007 and the negative trends in economic conditions and disruption in the capital markets that have continued into 2009 have adversely affected our business. Although the effects of the economic recession have been widespread and significant, the impact has been more severe throughout the small business sector. We, like many small business credit card issuers and other small business lenders, have experienced deterioration in the credit performance of our customers due to the impact of the general economic downturn on small businesses. As a result of the economic downturn, the ability and willingness of our small business customers to pay amounts owed to us has been adversely affected, resulting in increases in delinquencies and charge-offs. This trend has continued along with the economic downturn into 2009. In addition, the disruption in the credit and financial markets has negatively impacted the value of certain of our investments and the securitization markets, which historically provided a significant source of funding for our business. In turn, this has impacted our funding decisions and contributed to our reported losses.

In response to the current economic environment and its negative impact on our business, results of operations and financial condition, in May 2009 we developed a plan that was designed to limit our credit loss exposure and maximize our capital and our liquidity measures. The plan we designed involved the following components: early amortization of our securitization transactions and closing all of our customers' business credit card accounts to future use; and the execution of tender offers for the outstanding trust preferred securities issued by Advanta Capital Trust I and a portion of the Class A senior securitization notes issued by the Advanta Business Card Master Trust at prices below their par value. As discussed below, we moved forward with all aspects of our plan with the exception of the tender offer for the Class A senior securitization notes.

Early amortization of the securitization transactions began in June 2009 and effective May 30, 2009, we closed all of our customers' business credit card accounts to future use. The combination of these events has allowed us to realize our plan objective of limiting our credit loss exposure. We also purchased approximately 10.8% of the $100 million outstanding trust preferred securities through our tender offer for the outstanding trust preferred securities. However, on June 8, 2009, Advanta Bank Corp. terminated its tender offer for the Class A senior securitization notes because it was determined that a regulatory condition to the tender offer would not be

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satisfied. As a result of terminating the tender offer for the Class A senior securitization notes, we will not be able to fully realize the plan objectives of maximizing both our capital and our liquidity measures and, as a result, we are now reducing our liquidity levels at Advanta Bank Corp. and implementing strategies to reduce levels of deposit liabilities, which we expect will favorably impact the capital ratios at Advanta Bank Corp. We are currently focused on collecting the receivables on our balance sheet and those that are owned by the Advanta Business Card Master Trust. We also continue to take steps to reduce and manage our expenses in this environment and to develop alternative plans and strategies that we believe would, if implemented, achieve our objectives for strengthening our capital and our liquidity measures and might allow us to continue our operations and pursue new business opportunities in the future. If we are unable to develop and implement a new business opportunity that will generate revenues and profits or to access sufficient funding for our business or a new business opportunity, or if we are unable to comply with the capital requirements of the regulatory agreements and orders described below, we may not be able to continue operations. Consequently, there is substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the realizability of assets or the amounts of liabilities that might result from the outcome of this uncertainty.

We concluded that a deferred tax asset valuation allowance of $195.8 million was needed as of September 30, 2009 for the portion of the deferred tax asset that was not related to unrealized investment losses. This conclusion was based on our estimates of future taxable income and the level of uncertainty regarding the implementation of feasible and prudent tax planning strategies. Our income tax expense includes $28.1 million of expense for the three months ended September 30, 2009 and $195.8 million of expense for the nine months ended September 30, 2009 related to the valuation allowance.

Effective June 30, 2009, our wholly owned bank subsidiary, Advanta Bank Corp., entered into two regulatory agreements with the Federal Deposit Insurance Corporation ("FDIC") consenting to the requirements of two cease and desist orders issued by the FDIC. Advanta Bank Corp. did not admit any wrongdoing in entering into the agreements and entered into the agreements in the interest of expediency and to avoid litigation and the costs associated therewith. The first FDIC cease and desist order places significant restrictions on Advanta Bank Corp.'s activities and operations, including its deposit-taking operations, and requires Advanta Bank Corp. to maintain a total risk-based capital ratio of at least 10% and a tier I leverage capital ratio of at least 5%. At September 30, 2009, Advanta Bank Corp.'s total risk-based capital ratio was 10.62% and its tier I leverage capital ratio was 3.73%, resulting in a tier 1 leverage capital ratio that is not in compliance with the first FDIC cease and desist order. See discussion in "Subsequent Events" section of Management's Discussion and Analysis of Financial Condition and Results of Operations. We believe we are in compliance with all other requirements in the first order. The first FDIC order also has the impact of requiring us to obtain the FDIC's approval before we would be able to pursue new business opportunities through Advanta Bank Corp., however it does not limit our ability to pursue future business opportunities outside of the bank. In October 2009, Advanta Bank Corp. entered into an additional regulatory agreement with the UDFI consenting to a cease and desist order issued by the UDFI that contains provisions consistent with the first FDIC order, except that the UDFI's order does not include the specific capital requirements that are contained in the FDIC's first order. The second FDIC cease and desist order requires Advanta Bank Corp. to make certain restitution payments to eligible customers and pay a civil money penalty of $150 thousand. We previously took a $14 million pretax charge related to our estimate of cash back rewards program restitution in the third quarter of 2008. We recorded an additional $19 million pretax charge, classified in operating expenses, in the second quarter of 2009 related to our estimate of pricing strategies restitution under the agreement. We began making restitution payments in September 2009 and the payments were completed in October 2009. See further discussion of the regulatory agreements and orders in the "Liquidity, Capital Resources and Analysis of Financial Condition" section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Effective January 1, 2009, we adopted FASB guidance regarding determining whether instruments granted in share-based payment transactions are participating securities. The guidance concludes that unvested share-based payment awards that contain nonforfeitable rights to dividends are participating securities should be included in the computation of earnings per share under the two-class method. The two-class method is an earnings allocation formula to determine earnings per share for multiple classes of stock according to dividends declared and participation rights in undistributed earnings. The nonvested shares of Class B Common Stock issued under our stock-based incentive plan are participating securities with nonforfeitable rights to dividends. Therefore, upon the adoption of this guidance, our nonvested Class B Common Stock was included as a third class of stock for purposes of earnings per share computations. This impacted our reported earnings per Class A and Class B share. We adjusted all prior period earnings per share data presented to conform to the provisions of this guidance. The adoption of this guidance did not impact our financial position or net income.

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SUBSEQUENT EVENTS

On November 8, 2009, Advanta Corp. and certain of its subsidiaries (the "Filing Subsidiaries") filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code (the "Bankruptcy Filing") in the United States Bankruptcy Court for the State of Delaware. Our two bank subsidiaries, Advanta Bank Corp. and Advanta Bank, and certain other non-filing subsidiaries were not part of the Bankruptcy Filing. These subsidiaries continue to operate outside of the Bankruptcy Filing. Advanta Corp. is reviewing both existing and potential business opportunities in connection with the reorganization. For financial reporting after the Bankruptcy Filing, Advanta Corp. will adopt Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 852, *Reorganizations*. ASC 852 does not change the application of GAAP with respect to the preparation of our consolidated financial statements. However, it requires financial statements, for periods including and subsequent to a Chapter 11 filing, to distinguish between transactions and events that are directly associated with the reorganization and the ongoing operations of the business, as well as additional disclosures.

Advanta Corp. intends to use the reorganization process to maximize value to Advanta Corp.'s stakeholders. As of November 8, 2009, Advanta Corp. and its Filing Subsidiaries had close to $100 million of cash and cash equivalents. This represents an amount that we expect will be adequate to meet Advanta Corp.'s current obligations associated with its ongoing operations as they come due during the Chapter 11 case, including payment of employee salaries and benefits in the ordinary course of business. Over time, however, Advanta Corp. will be unable to meet all of its existing obligations without the protection of the Bankruptcy Filing. As a result of the Bankruptcy Filing, certain liabilities incurred by Advanta Corp. and its Filing Subsidiaries prior to the Bankruptcy Filing are subject to compromise. The timing of payments and the settlement amounts of liabilities subject to compromise will be determined as part of the bankruptcy process.

The Bankruptcy Filing constitutes an event of default with respect to the following debt securities: (i) Advanta Corp.'s outstanding senior unsecured debt securities in the form of RediReserve Variable Rate Certificates and Investment Notes (the "Debt Securities"); and (ii) the outstanding trust preferred securities issued to third party investors by Advanta Capital Trust I (the "Capital Securities") which are guaranteed by Advanta Corp. Subject to certain notice and other requirements particular to the documents governing the Debt Securities and the Capital Securities, upon the occurrence of this event of default, the trustee or holders of not less than 25% in principal of the applicable securities outstanding may declare the entire unpaid principal amount immediately due and payable.

As discussed in the "Overview" section of Management's Discussion and Analysis of Financial Condition and Results of Operations, Advanta Bank Corp. is subject to the requirements of regulatory agreements and cease and desist orders issued by the FDIC. The first FDIC order includes specific capital requirements that must be maintained by Advanta Bank Corp. and, as discussed in the "Overview" section of Management's Discussion and Analysis of Financial Condition and Results of Operations, Advanta Bank Corp. was unable to comply with one of those capital requirements at September 30, 2009. Advanta Bank Corp.'s capital position is now categorized as "undercapitalized" under the applicable bank regulatory framework. As a result of being in the "undercapitalized" capital category, Advanta Bank Corp. is subject to significant restrictions on its activities and operations, many of which are consistent with the restrictions set forth in the FDIC's first cease and desist order. In addition, Advanta Bank Corp. is required to submit a capital restoration plan to the FDIC. If the capital restoration plan is not submitted and approved or if Advanta Bank Corp. is unable to comply with the capital requirements of the FDIC's first cease and desist order, the FDIC may take further regulatory and enforcement actions and may ultimately place Advanta Bank Corp. into FDIC receivership. If a receivership were to occur, Advanta Bank Corp.'s assets would likely be liquidated and it is unlikely that any assets or the proceeds thereof would be distributed to Advanta Corp.'s stakeholders, including the common stockholders or creditors. Advanta Corp. has determined not to make future capital contributions to Advanta Bank Corp. in order to preserve value for Advanta Corp.'s stakeholders. As a result, Advanta Bank Corp. may not be able to comply with the capital requirements of the FDIC's first cease and desist order.

Exhibit Q

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☑ **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

for the quarterly period ended March 31, 2009

or

☐ **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from ________ to ________

Commission File Number 0-14120

Advanta Corp.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	23-1462070 (I.R.S. Employer Identification No.)

Welsh and McKean Roads, P.O. Box 844, Spring House, PA 19477
(Address of Principal Executive Offices) (Zip Code)

(215) 657-4000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ☐ No ☐

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 5, 2009
Class A Common Stock, $.01 par value per share	14,410,133 shares
Class B Common Stock, $.01 par value per share	30,694,571 shares

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and related notes appearing elsewhere in this report. In addition to historical information, this discussion and analysis contains forward-looking statements, such as our plan that is designed to maximize our capital and our liquidity measures , that involve risks, uncertainties and assumptions, such as those set forth in the "Cautionary Statement Pursuant to the Private Securities Litigation Reform Act of 1995," which can be found at the end of this Item, in "Item 1A. Risk Factors in Part II of this report and in "Item 1A. Risk Factors" found in Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008. Our actual results and the timing of events may differ materially from those anticipated in these forward-looking statements. "Advanta", "we", "us" and "our" refer to Advanta Corp. and its subsidiaries, unless the context otherwise requires.

OVERVIEW

Consolidated net (loss) income includes the following business segment results:

($ in thousands, except per share data)	Three Months Ended March 31, 2009	2008
Pretax (loss) income:		
Advanta Business Cards	$(116,806)	$10,783
Other	33	18,907
Total pretax (loss) income	(116,773)	29,690
Income tax (benefit) expense	(40,868)	11,328
Net (loss) income	$ (75,905)	$18,362
Diluted net (loss) income per common share:		
Class A	$ (1.88)	$ 0.41
Class B	$ (1.87)	$ 0.43

Our Advanta Business Cards segment issues (through Advanta Bank Corp.) business purpose credit cards to small businesses and business professionals in the United States. Deterioration of the U.S. economy beginning in the latter half of 2007 and the continuing negative trends in economic conditions and disruption in the capital markets have adversely affected our business. Many small business credit card issuers, including Advanta, have experienced increased delinquencies and charge-offs due to the impact of the general economic downturn on small businesses. In addition, weaker economic conditions and a decline in our business credit card accounts have resulted in lower transaction volumes. The Advanta Business Cards pretax loss for the three months ended March 31, 2009 reflects the challenging economic environment and is due primarily to an increase in net principal charge-off and delinquency rates on owned and securitized receivables, lower average owned and securitized receivables, and the negative impact of recent performance trends on the fair value of our retained interests in securitizations, each as compared to the same period of 2008. The results for the three months ended March 31, 2009 also included $12.9 million of severance and related costs associated with workforce reductions. We had higher delinquency and net principal charge-off rates in the three months ended March 31, 2009 as compared to the same period of 2008 due primarily to deterioration in the U.S. economy and, to a lesser extent, continued seasoning of the portfolio, and as a result, we had higher provisions for credit losses and lower securitization income. Based on the current economic environment, we would expect these negative trends, if left unabated, to result in losses that would erode our capital. Additionally, further deterioration in the U.S. economy could worsen these trends.

Therefore, we made a decision during the week of May 4, 2009 designed to dramatically limit our credit losses and to maximize our capital and our liquidity measures.

Here is what we envision:

(1) Our securitization trust will go into early amortization based on May's performance. Early amortization will officially be determined on June 10.

(2) Since the securitizations will not be permitted to fund new receivables after June 10, all credit card accounts will be shut down to future use at that time. Neither Advanta Bank Corp. nor any other Advanta-related entity will fund activity on our balance sheet from the accounts. Therefore, we will not take any off-balance sheet receivables onto our balance sheet. Shutting down the accounts will not accelerate payments required from cardholders on existing balances.

(3) In early amortization almost all of the receipts from cardholders are required to be paid to the trust's noteholders and to our seller's interest. The trust's notes are obligations of the trust and not of any Advanta entity. We are only at risk with respect to the off-balance sheet obligations to the extent of our residual interests.

(4) Advanta Bank Corp. will use up to $1.4 billion to make a cash tender offer for the Advanta Business Card Master Trust Class A senior notes at a discount to their face value.

(5) Advanta Corp. will make a cash tender offer for any or all of the 8.99% capital securities issued by Advanta Capital Trust I at a price related to recent market trades of these securities.

(6) We will continue to service and collect the trust's credit card receivables and our own receivables. This will be our first priority after early amortization begins, and we will take appropriate actions to adjust our expenses consistent with these activities. We will be free to do new business in the future to the extent we choose, but we do not expect to do so in a significant way until implementation of the plan is well under way.

We previously disclosed that we expected to use tools at our disposal to avoid early amortization of the trust unless we concluded that there

was a better plan to maximize our capital and liquidity. We have now concluded that the plan outlined above is a better plan to achieve those goals and dramatically reduce our risks.

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Returning to the first quarter's results, those results not related to the Advanta Business Cards segment for the three months ended March 31, 2008 include a $13.4 million gain on the redemption of Visa Inc. shares and the benefit of a $5.5 million decrease in Visa indemnification reserves. See "Contingencies" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion.

Effective January 1, 2009, we adopted FASB issued FSP No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. The FSP concludes that unvested share-based payment awards that contain nonforfeitable rights to dividends are participating securities under SFAS No. 128, *Earnings Per Share,* and should be included in the computation of earnings per share under the two-class method. The two-class method is an earnings allocation formula to determine earnings per share for multiple classes of stock according to dividends declared and participation rights in undistributed earnings. The nonvested shares of Class B Common Stock issued under our stock-based incentive plan are participating securities with nonforfeitable rights to dividends. Therefore, upon the adoption of FSP No. EITF 03-6-1, our nonvested Class B Common Stock was included as a third class of stock for purposes of earnings per share computations. This impacted our reported earnings per Class A and Class B share. We adjusted all prior period earnings per share data presented to conform to the provisions of this FSP. The adoption of this FSP did not impact our financial position or net income.